CONDOMINIUM REPORT

Greater Toronto Area

Canada Mortgage and Housing Corporation

ISSUE: FALL 2003

Condominium Stock Continues to Grow

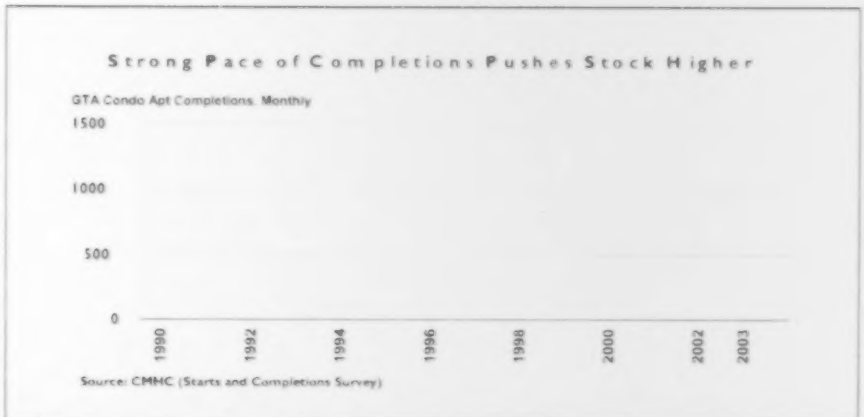
- A surge in condominium construction in 2001 caused a shortage of labour and equipment creating a backlog of uncompleted projects in the condo market.
- Consequently, the much anticipated surge in completions failed to materialize last year. Instead, this year's survey witnessed a notable increase in new apartments as the universe was pushed up by almost 12,000 units.
- In addition, strong growth in condominium stock will continue over the next two years. Condo starts are running higher than last year with stronger growth in the City of Toronto, Peel and Halton Regions. CMHC forecasts between 13,000 to 15,000 condo apartment completions in 2003 and 2004.
- Toronto Central and Toronto North achieved double digit gains, adding 4,960 and 4,147 units to their respective stocks. Demand for centrally located condos has been very strong. These areas have been significant in luring both renters eager to jump into ownership and investors.

IN THIS ISSUE

1 Condominium Stock Continues to Grow
2 Stock of Rented Condos Resume Downtrend in 2003
2 Rental by Age of Structure
4 Weaker Returns a Concern
5 Toronto Central Market Overview
5 Marked Increase in Vacancy Rate

Statistical Tables

3 Condominium Apartment Universe
3 Condominium Apartment Rentals
6 Condominium Apartment Projects by Size
6 Condominium Apartment Distribution by Age of Structure
7 Rental Condo Apartment Vacancy Rate
7 Active Apartment Condominiums
8 Developer Owned Condominium



CMHC Toronto, Market Analysis

Robert Genier
Tel: (416) 218-3390
rgenier@cmhc-schl.gc.ca

Ted Tsiakopoulos
Tel: (416) 218-3407
ttsiakop@cmhc-schl.gc.ca

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2003 Condominium Survey Sample

2003 CONDOMINIUM SURVEY SAMPLE AND RENTAL UNIVERSE ESTIMATED

REGION	Condo Universe (# of units)	Units in (Survey) Sample	Rental Units in Sample	Rental Units as % of Total Universe	Estimated Total # of Rental Units
Toronto Central	45570	24132	5798	24.03%	10949
Toronto West	16520	13546	2154	15.90%	2627
Toronto East	25041	17265	3182	18.43%	4615
Toronto North	36436	24383	4603	18.88%	6878
Total Toronto	**123567**	**79326**	**15737**	**20.29%**	**25069**
York Region	13241	10373	1612	15.54%	2058
Peel Region	25989	17862	3658	20.48%	5322
Durham Region	4851	4571	554	12.12%	588
Halton Region	8617	6906	642	9.30%	801
Total GTA	**176265**	**119038**	**22203**	**19.20%**	**33838**
Toronto CMA	**168843**	**112607**	**21557**	**19.14%**	**32323**

The GTA percentage of rental estimate of 19.2% is accurate within 0.19%, 9 times out of 10. Regional percentages of rental estimates range in accuracy from 0.23% to 0.79%, 9 times out of 10

CMHC's Toronto Housing Market Outlook(HMO) Report 2004

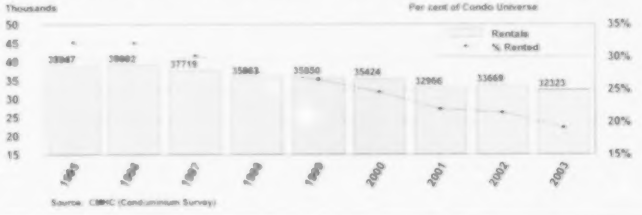
- The Toronto Housing Market Outlook Report is CMHC's local forecast for new home and resale markets
- The report is published twice annually in the spring and fall of each year
- A detailed look on prices, neighbourhood analysis and economic and demographic trends is also included for your planning cycle
- The much anticipated 2004 GTA housing outlook will be released in the **week of October 20, 2003**

For more information or to order a report please contact 1-800-493-0059

Stock of Rented Condos Resumes Downtrend in 2003

- With newly built investor-held condos insufficient to counteract the outflow of investor selling in the resale market, the stock of rented condominium apartments declined in 2003 by four per cent.
- The decline in rental units coincides with an increase in owner-occupied units. Record low mortgage rates have also narrowed the cost gap between renting and buying, opening doors to many first time buyers.
- The percentage of investor held stock in the GTA is now just under 20 per cent. This is the lowest proportion of investor held stock in the history of the survey.
- Significant equity gains over the past few years, coupled with softer rents as conveyed by industry contacts, have encouraged more investors to sell in 2003.
- Owner-occupiers however have been the major contributors to the increase in listings. Many who purchased small one-bedroom units in recent years are facing different housing needs and have listed their units, according to key contacts. This has resulted in first quarter 2003 condo listings reaching an all time high in the Toronto CMA. A more balanced market will limit price gains ahead. This is good news for buyers looking for product choice and stable prices particularly in core areas.

Rented Share of Total Universe Continues to Fall in the Toronto CMA



Source: CMHC (Condominium Survey)

Rentals by Age

- The percentage of rented condominium apartments declined in each of the four age categories in year's survey. This suggests selling has occurred in both new and mature stock.
- Again, equity gains in the condominium sector have led to selling recently. However selling of existing condos was more prevalent in the Toronto Central and North areas. Anecdotal evidence suggests that these investors sold due to concerns about increased competition and perceived limits to returns (i.e. capital gain yield, income yield).
- Structures built between the years 1986 and 1995 still by far have the highest percentage of rental units. This is a reflection of the speculative boom of the late 1980s, when investors jumped into the condo market to take advantage of price gains.

% RENTAL CONDOS BY PROJECT AGE

AGE	2002	2003
<1976	17.9%	14.9%
76 - 85	17.3%	14.5%
86 - 95	25.5%	23.1%
96+	20.5%	18.7%

Source: CMHC (Condominium Survey)

APARTMENT CONDOMINIUM UNIVERSE , 2000-2003

REGION	2000	2001	2002	2003	'02 -'03 Increase	'02 -'03 % CHNG
Toronto Central (Old Toronto City,East York,York)	36,346	38,307	40,610	45,570	4,960	12.2%
Toronto West (Etobicoke)	14,914	15,088	15,533	16,520	987	6.4%
Toronto East (Scarborough)	22,895	23,921	24,668	25,041	373	1.5%
Toronto North (North York)	29,797	30,954	32,289	36,436	4,147	12.8%
Total Toronto	**103,952**	**108,270**	**113,100**	**123,567**	**10,467**	**9.3%**
York Region	11,558	11,954	12,990	13,241	251	1.9%
Peel Region	22,883	23,964	25,242	25,989	747	3.0%
Durham Region	4,765	4,754	4,764	4,851	87	1.8%
Halton Region	7,221	7,430	8,278	8,617	339	4.1%
Total GTA	**150,379**	**156,372**	**164,374**	**176,265**	**11,891**	**7.2%**
Toronto CMA	**144,133**	**149,764**	**157,266**	**168,843**	**11,577**	**7.4%**

Source: CMHC (Condominium Survey)

CONDOMINIUM APARTMENT RENTAL ESTIMATES, JUNE 2002-2003

REGION	2002 Universe	2002 Rental Units	2002 % of Total Universe	2003 Universe	2003 Rental Units	2003 % of Total Universe
Toronto Central (Old Toronto City,East York,York)	40,610	10,215	25.2%	45,570	10,949	24.0%
Toronto West (Etobicoke)	15,533	2,980	19.2%	16,520	2,627	15.9%
Toronto East (Scarborough)	24,668	4,753	19.3%	25,041	4,615	18.4%
Toronto North (North York)	32,289	7,775	24.1%	36,436	6,878	18.9%
Total Toronto	**113,100**	**25,723**	**22.7%**	**123,567**	**25,069**	**20.3%**
York Region	12,990	2,188	16.8%	13,241	2,058	15.5%
Peel Region	25,242	5,864	23.2%	25,989	5,322	20.5%
Durham Region	4,764	672	14.1%	4,851	588	12.1%
Halton Region	8,278	728	8.8%	8,617	801	9.3%
Total GTA	**164,374**	**35,175**	**21.4%**	**176,265**	**33,838**	**19.2%**
Toronto CMA	**157,266**	**33,699**	**21.4%**	**168,843**	**32,323**	**19.1%**

Footnote: The GTA percentage of rental estimate of 19.2% is accurate within 0.19%, 9 times out of 10. Regional percentages of rental estimates range in accuracy from 0.23% to 0.79%, 9 times out of 10.

Source: CMHC (Condominium Survey)

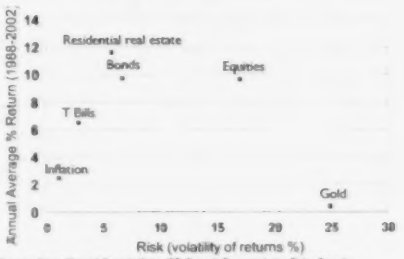
Weaker Returns a Concern for Toronto Condo Investors in 2003

• *Investors assess the risk-reward(return) tradeoff when considering an investment. Investors take on more risk if they are expected to be compensated for it. Indeed with less than half the risk exposure, real estate held its own for large investors relative to returns realized in the equity and gold markets over the last 15 years. This outperformance was even more telling leading up to the recent stock market meltdown.*

• *Investors in Toronto's condominium market benefited from this trend over the longer term. However, condo investors relative to larger institutional investors noted above were generally smaller players who found it difficult to spread higher vacancies across a large portfolio of units. Thus returns in the short term were usually sensitive to shifts in market conditions. A general softening in rental market conditions recently is a case in point.*

• *In 2003, the risk-reward relationship changed for Toronto`s condominium investors vs what it was in 1999. Internal rates of return* (IRR) or the net return on investment is a common measure of a project's profitability. An investor in the Yonge downtown and uptown corridors with a 5 yr time horizon and a 20% downpayment ($-CF_0$) was generating an annual return of 35% in the 1999-2003 period. Industry contacts noted a drop in asking rents over the past year. This, coupled with higher vacancies and a flat profile for condo prices, suggests higher uncertainty/risk ahead. Anecdotal evidence suggests that these investors were concerned and consequently sold their investments. This was noted as being particularly evident in the Yonge downtown and Uptown corridors—districts that are home to both high condo apartment rental densities and an influx of new condo development. Selling was more pronounced particularly among investors with shorter time horizons who carried artificially high return expectations.*

Investment Returns vs Risk



Source: Frank Russell Canada Data, IPD Canada Property Index Data, Canada Stock Market Gross Index,Bank of Canada, Statistics Canada based on Toronto Stock Exchange Data, CMHC

• *This new investment environment is also impacting sales of new condos. Indeed a 32% drop in new condo sales August year to date suggests new investor interest has weakened. Improved stock market sentiment will also weigh on the condo market moving through 2004.*

Discounted Cash Flow Model (DCF)

**Internal rates of return (IRR) or the net return on investment is based on the DCF model below:*

$$NPV = -CF_0 + \frac{CF_1}{(1+i)} + \frac{CF_2}{(1+i)^2} + \ldots \frac{CF_N}{(1+i)^N}$$

***where NPV**=Net Present Value $*
***where IRR(i)** discounts NPV to zero*
***where** CF_0=initial investment*
***where** CF_i=net operating cash flows net of debt service, property taxes, maintenance fees, vacancies*
***where** N=investor time horizon*
***where** CF_N=net cash flows plus capital gain net of debt at time N*

Economic Outlook

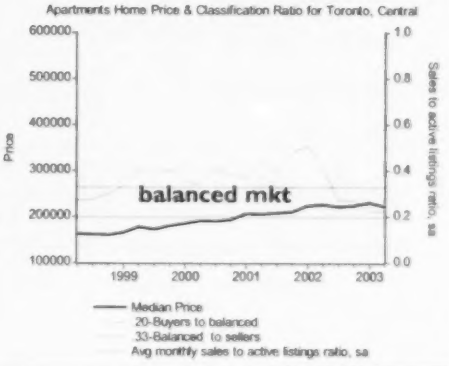
Toronto's well diversified economy has held up well despite declining US demand and the impact of SARS. Nonetheless, job growth has slowed from the supercharged rates of the late 90s. 416 area code has slowed most. Increased consolidation in financial services and the ICT (information-communication-technology) sectors has limited job creation especially in traditional white collar-downtown areas. Furthermore, office vacancy rates reflect this slowing as vacancy rates have jumped to double digit figures over the past few years, according to the GTA Office Report produced by J. J. Barnicke. After posting a rate of job growth of 1.9% in 2002, overall Toronto job growth should hover around 2.3% this year and next.

Greater move-up buying over the next few years will continue to boost supply and bring the GTA ownership housing market into balance with high rise housing underperforming. Indeed slower job growth in the core has had a more pronounced impact on the ownership high rise market. More expensive core areas have already started softening. Areas outside the immediate core have fared better with prices running closer to the rate of inflation. This is due to less influx of new condo product and generally more stable rents in suburban parts of the GTA as noted by industry insiders.

Toronto Central Market Overview

- A number of significant changes occurred in the Central Toronto condominium market this year.
- The stock of condo units increased by 4,960 units. This represents 42 per cent of new construction added to the GTA condo stock.
- The increase in the stock has changed the distribution of units with respect to the age of completion. Units built after 1996 now represent the largest segment of total stock at 37.5 per cent.
- Excluding Halton Region, Toronto Central was the only area in the survey to post gains in the number of rented units. Additions to the stock of rental units increased by 7 per cent or 734 units.
- The increase in the stock far outpaced the gain in rented units, lowering the percentage rented to 24 per cent from 25.2 per cent last year. Excluding new units, 16 percent of the existing rental stock was sold by investors since 2002.
- The increase in the stock of condominium apartments has resulted in changes to the market. Stable demand combined with a significant jump in listings in Central Toronto has pushed the sales-to-listings ratio down into a balanced state.
- With listings more than satisfying demand for condo units, price pressures have eased considerably. MLS price growth has been slowing since the second half of 2002 and prices have now flattened in the second quarter of 2003.
- The condo vacancy rate in Central Toronto jumped to 3.6 per cent. A combination of weaker rental demand, and an increase in the stock of both rental condos and traditional apartments pushed the vacancy rate higher this year.
- Higher vacancies in the condo and traditional rental market have resulted in downward pressure on rents based on data from our key contacts.

Central Toronto Adjusting to New Supply



Marked Increase in Vacancy Rate

- The vacancy rate for rental condominium apartments in the GTA moved substantially higher in the June 2003 survey to 1.6 per cent from 0.4 per cent last year.
- The most significant increases in vacancies occurred within the City of Toronto. The vacancy rate jumped to 1.0 per cent in Toronto North and 1.4 per cent in Toronto West. Toronto Central saw its vacancy rate climb to 3.6 per cent.
- Higher vacancy levels are resulting from a combination of supply and demand factors. There has been a substantial increase in new completions and registrations of condos at a time when vacancies in the traditional rental market are at all time highs, particularly in parts of Central Toronto. As such, investors are facing more competition in the core.

- On the demand side, the rate of renter household growth may be lower compared to last year. With historically low mortgage rates and employment growth over the past few years, some renters have made the switch to ownership.

Fewer Developer Owned Units

- Strong demand for condominium units has pushed down the inventory of developer owned units. In June 2003, developers held 0.3 per cent of condominium apartment stock in the GTA, down from 0.4 per cent in '02.
- The only areas to register an increase in developer owned units are Toronto West and Peel Region. Core demand areas (Toronto Central and Toronto North) continue to see lower standing inventory.

CONDOMINIUM APARTMENT PROJECTS BY SIZE, JUNE 2003

REGION	<50	50-99	100-149	150-199	200+	TOTAL
Toronto Central (Old Toronto City,East York,York)	136	89	59	35	67	386
Toronto West (Etobicoke)	8	9	12	9	40	78
Toronto East (Scarborough)	9	13	10	20	68	120
Toronto North (North York)	22	15	34	42	77	190
Total Toronto	**175**	**126**	**115**	**106**	**252**	**774**
York Region	8	18	30	18	19	93
Peel Region	10	11	28	27	59	135
Durham Region	14	10	5	7	7	43
Halton Region	32	33	20	9	6	100
Total GTA	**239**	**198**	**198**	**167**	**343**	**1145**
Toronto CMA	**205**	**167**	**182**	**160**	**339**	**1053**

Source: CMHC(Condominium Survey)

DISTRIBUTION BY AGE OF STRUCTURE, JUNE 2003

	UNIVERSE			
REGION	<1976	76-85	86-95	96+
Toronto Central (Old Toronto City,East York,York)	12.5%	20.0%	30.1%	37.5%
Toronto West (Etobicoke)	39.4%	17.0%	30.1%	13.6%
Toronto East (Scarborough)	13.6%	31.9%	35.5%	19.0%
Toronto North (North York)	26.3%	25.7%	16.9%	31.1%
Total Toronto	**20.4%**	**23.7%**	**27.3%**	**28.6%**
York Region	7.0%	8.5%	63.9%	20.7%
Peel Region	17.6%	21.8%	49.5%	11.0%
Durham Region	15.1%	20.4%	53.0%	11.4%
Halton Region	5.6%	22.8%	42.5%	29.1%
Total GTA	**18.1%**	**22.1%**	**34.8%**	**25.0%**
Toronto CMA	**18.4%**	**22.5%**	**34.4%**	**24.7%**

Note: Rows may not add up due to rounding errors

Source: CMHC (Condominium Survey)

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RENTAL CONDO APARTMENT VACANCY RATE ESTIMATE, JUNE 2002-2003

REGION	2002		2003	
	Vacant Units	Vacancy Rate	Vacant Units	Vacancy Rate
Toronto Central (Old Toronto City,East York,York)	52	0.5%	389	3.6%
Toronto West (Etobicoke)	4	0.1%	35	1.4%
Toronto East (Scarborough)	7	0.1%	4	0.1%
Toronto North (North York)	15	0.2%	69	1.0%
Total Toronto	**77**	**0.3%**	**497**	**2.0%**
York Region	9	0.4%	6	0.3%
Peel Region	41	0.7%	29	0.6%
Durham Region	0	0.0%	0	0.0%
Halton Region	0	0.0%	1	0.2%
Total GTA	**127**	**0.4%**	**534**	**1.6%**
Toronto CMA	**120**	**0.4%**	**463**	**1.4%**

Footnote: The GTA vacancy rate estimate of 1.6% is accurate within 0.19%, 9 times out of 10. Regional vacancy rate estimates range in accuracy from 0.23% to 0.79%, 9 times out of 10

Source: CMHC(Condominium Survey)

ACTIVE APARTMENT CONDOMINIUMS, JUNE 2003

REGION	UNDER CONSTRUCTION	SELLING (NOT STARTED)	COMPLETED BUT NOT REGISTERED	TOTAL NOT REGISTERED
Toronto Central (Old Toronto City,East York,York)	7,063	7,637	2,755	17,455
Toronto West (Etobicoke)	1,186	1,812	140	3,138
Toronto East (Scarborough)	1,213	1,517	0	2,730
Toronto North (North York)	5,421	2,128	1,633	9,182
Total Toronto	**14,883**	**13,094**	**4,528**	**32,505**
York Region	627	1,430	384	2,441
Peel Region	1,410	1,785	371	3,566
Durham Region	0	0	0	0
Halton Region	411	51	32	494
Total GTA	**17,331**	**16,360**	**5,315**	**39,006**

Source: CMHC(Condominium Survey)

DEVELOPER OWNED CONDOMINIUM APARTMENT ESTIMATE, JUNE 2002-2003

REGION	2002		2003	
	Developer Owner Units	% of Total Universe	Developer Owner Units	% of Total Universe
Toronto Central (Old Toronto City,East York,York)	129	0.3%	91	0.2%
Toronto West (Etobicoke)	34	0.2%	66	0.4%
Toronto East (Scarborough)	0	0.0%	9	0.0%
Toronto North (North York)	207	0.6%	137	0.4%
Total Toronto	**370**	**0.3%**	**303**	**0.2%**
York Region	30	0.2%	1	0.0%
Peel Region	100	0.4%	210	0.8%
Durham Region	0	0.0%	0	0.0%
Halton Region	104	1.3%	6	0.1%
Total GTA	**604**	**0.4%**	**520**	**0.3%**
Toronto CMA	**499**	**0.3%**	**519**	**0.3%**

Footnote: The GTA percent developer owned estimate of 0.3% is accurate within 0.19%, 9 out of 10 times. Regional percent developer owned estimates are accurate from within 0.23% to 0.79%, 9 out of 10 times.

Source: CMHC(Condominium Survey)

About the survey

During the month of June 2003, the Toronto Office of Canada Mortgage and Housing Corporation (CMHC) conducted its annual survey of residential condominiums in the Greater Toronto Area. Only condominium apartment projects were surveyed. This study serves as a complement to CMHC's annual survey of privately initiated rental accommodation in the Rental Market Survey (RMS).

In conducting the study, two main sources of information were utilized; a survey of residential condominium corporations and a survey of property management companies, to whom we extend our thanks and appreciation. It must be noted that this survey excludes any condominiums that are included in the Rental Market Survey. Also, completed condominium projects but not yet registered are not included in this survey.

The main objective of the condominium survey is to identify the extent to which condominiums are being offered for rent, and find the subsequent rental vacancy rate. The data was collected for all regions within the GTA, including Toronto, York Region, Peel Region, Halton Region and Durham

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